

After struggling through a decade-long insurgency, the leading political parties now have the challenge of delivering on the Comprehensive Peace Agreement signed over three years ago. Foremost among these challenges is the drafting of a new constitution. With ongoing changes in government leadership, interest groups are jostling for power through nationwide strikes and blocking government functions. Maoist splinter groups and other armed groups will likely continue to pursue political gain through low-level, but sustained, violence.

Recent severe drought and unreliable monsoon rains have led to acute food shortages and the highest levels of hunger in 40 years. With annual per capita income of \$470, Nepal ranks in the bottom ten percent of countries, and an estimated 55% of Nepalese fall below international poverty measures (\$1.25 per day). Even with remarkable improvements over the last decades, education and health levels remain among the lowest in Asia with an estimated 85% of youth completing less than ten years of school. In addition, large areas of the country lack basic infrastructure and services. Despite these challenges, USAID has made significant development achievements by supporting country-led priorities and working closely with career government officials, the private sector, civil society, and other donors.

USAID programs seek to cement recent gains in peace and security, stabilize the transitional government, strengthen the delivery of essential social services to help establish a firm foundation for economic recovery, and address global challenges of food insecurity and climate change. In each of these areas, there is a special focus on supporting Nepal's youth and socially disadvantaged, which is critical to sustaining peace.